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Message Text

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50
ACTION NEA-13

INFO OCT-01 EUR-25 IO-14 ISO-00 AF-10 AID-20 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01

AEC-11 CEA-02 DODE-00 FEA-02 FPC-01 H-03 INT-08 L-03

NSC-10 PM-07 SAM-01 SCI-06 SS-20 STR-08 DRC-01 EA-11

/233 W

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R 131249Z FEB 74
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 8775
INFO AMEMBASSY BEIRUT
AMEMBASSY ABU DHABI
AMEMBASSY JIDDA
AMEMBASSY TEHRAN
USMISSION OECD PARIS

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DEPARTMENT PASS TREASURY AND AID

DEPARTMENT PASS AFRICAN AND OTHER POSTS AS DESIRED

EO 11652: NA
TAGS: EFIN, EAID, KU, XF, XA, XX
SUBJ: EAL: KUWAIT AID POLICIES

SUMMARY: IN LIGHT OF ANTICIPATED LARGE INCREASES IN INCOME, GOK ACTIVELY RETHINKING ITS AID POLICIES. INITIAL FOCUS LIKELY TO BE ON EXPANDED BILATERAL AID TO AFRICA AND GOK PARTICIPATION IN MULTILATERAL AID INSTITUTIONS. GOK RECOGNIZES MORAL RESPONSIBILITY TO PROVIDE INCREASED ECONOMIC ASSISTANCE TO POORER NATIONS OF THE WORLD AND IS GIVING THIS SUBJECT HIGH
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PRIORITY. AT SAME TIME, KUWAITIS LIKELY TO BE CAREFUL OR

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RELATIVELY METHODICAL IN THEIR APPROACH. ONE RESULT OF NEW EMPHASIS AND EXPANSION OF KUWAITI AID PROGRAM COULD BE DESIRE TO CONSULT ON WIDER RANGE OF ISSUES WITH AID AND OTHER DONORS THAN HAS BEEN THE CASE UP TO NOW. END SUMMARY

1. WITH TREMENDOUS INCREASE IN INCOME LIKELY TO TAKE PLACE IN 1974 AS RESULT OF RAPID RISE IN OIL PRICES, THERE CONSIDERABLE ATTENTION BEING GIVEN WITHIN GOK TO EXPANSION OF ITS AID PROGRAMS. KUWAIT, THROUGH KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT (KFAED) AND THROUGH KUWAIT'S PARTCIPATION IN MULTILATERAL INSTITUTIONS, IS ALREADY AN IMPORTANT DONOR OF DEVELOPMENT ASSISTANCE. IT IS NOW POISED TO EXPAND SIGNIFICANTLY ITS ACTIVITIES OF THIS NATURE.

2. MUCH OF THIS WILL BE THROUGH MULTILATERAL ORGANIZATIONS. KUWAIT IS ALREADY AN ACTIVE PARTCIPANT IN IDA AND IT INTENDS TO MAKE ITS CONTRIBUTION TO FOURTH REPLENISHMENT EVEN THOUGH US MAY NOT (KUWAIT 0567, NOTAL). GOK IS PUTTING UP OVER HALF THE MONEY WHICH ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT (AFESD) IS MAKING IN ITS INITIAL THREE LOANS. IN ADDITION, KUWAIT EXPECTS TO PLAY AN ACTIVE PART IN SUCH NEW INSTITUTIONS AS NON-ALIGNED FUND, ARAB/AFRICAN DEVELOPMENT BANK, ISLAMIC BANK AND NEW FINANCIAL INSTITUTIONS WHICH MAY BE CREATED SOON BY OPEC AND OAPEC. ITS OVERALL CONTRIBUTION TO THESE ORGANIZATIONS LIKELY TO AMOUNT TO SOME HUNDREDS OF MILLIONS OF DOLLARS.

3. KUWAIT WILL ALSO CONTINUE ITS BILATERAL AID PROGRAMS TO ARAB COUNTRIES THROUGH KFAED. IT ALSO LIKELY TO EXPAND ITS BILATERAL PROGRAMS TO OTHER COUNTRIES ESPECIALLY IN AFRICA. KFAED GROUP, LED BY ITS DIRECTOR, ABDULATIF AL-HAMAD, RECENTLY VISITED SEVERAL AFRICAN COUNTRIES ON AN ORIENTATION TRIP AND THIS SAME GROUP PLANS TO MAKE A SECOND JOURNEY TO AFRICA LATER THIS MONTH. IT NOT CLEAR EXACTLY HOW THE GOK WILL CHANNEL BILATERAL ASSISTANCE TO AFRICAN COUNTRIES, BUT IT MAY BE THROUGH AN EXPANDED KFAED. KUWAIT'S KNOWLEDGE OF AFRICAN REQUIREMENTS STILL LIMITED, ALTHOUGH IT HAS CONSULTED TO A DEGREE WITH IBRD. IT APPEARS, HOWEVER, THAT GOK HAS MADE BASIC POLICY DECISION TO EXTEND BILATERAL ASSISTANCE TO AFRICAN COUNTRIES.

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4. COMMENT: KUWAITIS HAVE TRADITIONALLY UNDERSTOOD THAT THEIR WEALTH PLACES UPON THEM A MORAL OBLIGATION TO EXTEND ASSISTANCE TO LESS FORTUNATE COUNTRIES. OF COURSE, IT HAS ALSO RECOGNIZED THE POLITICAL VALUE OF SUCH A POLICY. WITH THE TREMENDOUS INCREASE IN INCOME THAT NOW APPEARS WILL BE AVAILABLE TO THEM, THEY FEEL THAT THEY CAN EXTEND THEIR GENEROSITY BEYOND THE ARAB WORLD TO COUNTRIES IN AFRICA (AND NOT JUST ISLAMIC COUNTRIES) AND PERHAPS TO CERTAIN ASIAN COUNTRIES, TOO. WE HAVE SUGGESTED

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THAT AT ONE POINT KUWAITIS MAY WISH TO DRAW UPON OUR EXPERIENCE IN SOME OF THESE COUNTRIES WHICH ARE UNFAMILIAR TO THEM.
WE THINK THAT EVENTUALLY KUWAITIS MAY WANT TO CONSULT WITH US RE ECONOMIC ASSISTANCE TO COUNTRIES BEYOND THE ARAB WORLD.
FOR NOW, HOWEVER, THEY INTEND TO CONCENTRATE ON REFINING THEIR POLICY AND ADJUSTING THEIR BUREAUCRACY TO HANDLE THESE NEW PROGRAMS. IT MAY BE AWHILE BEFORE KUWAITIS WILL BE ABLE EFFECTIVELY TO EXTEND ECONOMIC ASSISTANCE TO AFRICAN OR OTHER COUNTRIES, BUT BILATERALLY OR THROUGH MULTILATERAL INSTITUTIONS, IT SEEMS CLEAR THAT GOK HAS MADE BASIC DECISION TO EXPAND SIGNIFICANTLY ITS ECONOMIC ASSISTANCE PROGRAMS AND TO EXTEND THEM TO COUNTRIES BEYOND THE ARAB WORLD.
MCCLELLAND

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To: STATE
Type: TE
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